

BOARD OF TRUSTEE'S
KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.
COUNTY OF CAMDEN
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS-
FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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November 1, 2016

AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE, AND PERFORMANCE

Honorable President and
Members of the Board of Trustees's
Katz Dalsey Academy Charter School, Inc.
County of Camden, New Jersey

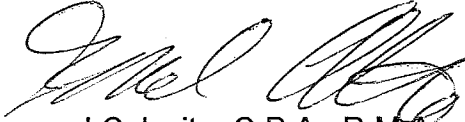
We have audited, in accordance with generally accepted audit standards and **Government Auditing Standards** issued by the Comptroller General of the United States, the basic financial statements of the Board of Trustees of Katz Dalsey Academy Charter School, Inc. in the County of Camden for the year ended June 30, 2016, and have issued our report thereon dated November 1, 2016.

As part of our audit, we performed procedures required by the District of Administration and Finance, New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is issued in conjunction with the Comprehensive Annual Financial Report of the Board of Trustees of Katz Dalsey Academy Charter School, Inc. for the fiscal year ending June 30, 2016 and is intended for the information of the Charter School's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.


Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer/Designee of School Monies, the activities of the Board of Trustees, the records of the Student Activity Fund, Food Service Fund, Special Revenue Fund and other funds under the auspices of the Board of Trustees.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule, contained in the district's **CAFR**

Official's Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Richelle H. Baughn	Business Administrator/Board Secretary	\$ 50,000
Wayne Scott	Treasurer of School Monies	

Finding 2016-1 (CAFR Finding 2016-2)

The Treasurer's surety bond coverage, for the 2015-16 School Year, was not updated to reflect the new Treasurer.

Recommendation

A review of the Charter School's surety bonds should be conducted, in order to ensure the Treasurer's information is up to date.

Tuition Charges

A review of the financial statements indicated that the charter school charged no tuition for any student attending the charter school, in compliance with state statutes.

District Internal Control Policies

District board of education and administration are responsible for developing internal controls policies and procedures and maintaining a strong internal control environment. NJAC 6A:23A-6.4 requires that the district's internal control policies include specific requirements at NJAC 6A:23A-6.5 through 6.13.

Internal Control Policies were generally found in accordance with NJAC 6A:23A-6.5 through 6.13, with the exception of Segregation of Duties (NJAC 6A:23A-6.5).

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account and Position Control Roster

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the Chief School Administrator and were certified by the President of the Board and the School Board Administrator/Board Secretary.

Salary withholdings were generally remitted to the proper agencies on a timely basis, as reflected in the payroll agency subsidiary ledger.

Finding 2016-2

The detail in the payroll agency account, as of June 30, 2016 reflects two flexible spending account balances that are not in alignment with supporting documentation.

Recommendation

Procedures to review the flex spending account balances in the payroll agency account should be revised, in order to assure that ending balances are accurate.

Certification of Income Tax Compliance

The District appears to be in compliance with the certification (E-CERT1) requirements for income tax on compensation of administrators (Superintendent and Business Administrator) to the N.J. Department of Treasury that is to be filed by the March 15 due date.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with **N.J.A.C. 6A:23-2.2(f)** and line item details as described in the Budget Summary Key as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, a transaction error rate of 0% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification Findings - None

B. Administrative Classification Findings - None

Financial Planning, Accounting and Reporting (Continued)

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2016 for proper classification of orders as reserve for encumbrances or accounts payable.

Finding 2016-3 (CAFR Finding 2016-1)

The 2015-16 TPAF Reimbursement to the State of New Jersey was reflected as a reserve for encumbrance instead of accounts payable, at June 30, 2016.

Recommendation

Procedures to review open orders, regarding proper classification as to accounts payable or reserve for encumbrances, based upon whether the services have been rendered, should be reviewed and revised, in order to reflect the proper year-end classification.

Board Secretary's Records

The financial records, books of accounts maintained by the Secretary were in satisfactory condition.

Acknowledgment of the Board's receipt of the Board Secretary's and Treasurer's monthly financial reports was included in the minutes.

Monthly financial certificates of the Board Secretary and Board of Trustees for positive line item account status certifications (**N.J.A.C. 6:2-2.13**) were not available. Budgetary line item account transfers were approved monthly to cover any anticipated deficits.

Purchase orders were generally charged to the appropriate line item accounts in accordance with the State prescribed **Uniform Minimum Chart of Accounts (2R2) for New Jersey Public Charter School.**

Treasurer's / Designee Records

The Treasurer/Designee prepared cash reconciliation's for the general operating account, payroll account and payroll agency account per **N.J.S.A. 18A:17-36**.

The Treasurer's records were in agreement with the records of the Board Secretary and were noted in the monthly minutes available on file.

All cash receipts appeared promptly deposited.

Financial Planning, Accounting and Reporting (Continued)

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue Section of the **CAFR**. This section of the **CAFR** documents the financial position pertaining to the projects under Title I, II, IV and V of the Elementary and Secondary Education Act as amended and reauthorized.

Our audit of E.S.E.A. funds, on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The study of compliance for E.S.E.A. indicated no areas of noncompliance and/or questionable costs, with the exception of the following:

Other Special Federal and/or State Projects

The charter school's Special Projects were approved as listed on Schedule A and Schedule B located in the **CAFR**.

Our audit of federal and state funds, on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the **CAFR**. This section of the **CAFR** documents the financial position pertaining to the aforementioned special projects.

The study of compliance for special projects indicated no areas of noncompliance.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for charter school employees who are members of the Teachers Pension and Annuity Fund.

TPAF Reimbursement to the State for Federal Salary Expenditures

The reimbursement to the State for the amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the charter school to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the charter school for those employees whose salaries are identified as being paid from federal funds was made subsequent to the end of the 60 day grant liquidation period, but prior to the 90 days required by N.J.S.A. 18A:66-90. Accordingly, the expenditure was made in accordance with State law (90 days) and properly reported as obligated and not expended and as an unliquidated balance in the current year's Final Report(s) for all federal awards.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general are available on the website: http://www.state.nj.us/dca/divisions/dlgs/programs/ps_contracts.html.

The current statute is posted on the New Jersey Legislature website at: http://lis.njleg.state.nj.us/cgi-bin/om_isapi.dll?clientID=1319801&depth=2&expandheadings=off&headingswithhits=on&infobase=statutes.nfo&softpage=TOC_Frame_pg42

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800 for 2015-16.

The Charter School has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Based on the results of our examination, we did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4, amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per **N.J.S.A. 18A:18A-5**.

The system of records did not provide for an accumulation of purchases for which the charter school used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977; therefore, the extent of such purchases could not reasonably be ascertained. Our examination did not reveal any exceptions for purchases from vendors through state contract.

The review of contracts and agreements did not disclose any areas of statutory noncompliance.

Although a particular contract is exempt from the formal requirements of public advertising and competitive bidding, N.J.S.A. 18A:18A-37 requires that quotations be obtained, whenever practical, for any contract under the statutory bid threshold but 15 percent or more of the amount, except for contracts for professional services. All contracts and agreements, which are subject to quotations, shall be awarded on the basis of the lowest responsible quotation received, which is most advantageous to the Board of Trustees, price and other factors considered. Our examination indicated that the Board of Trustees complied with these provisions.

School Food Service

The School Food Service Program was not selected as a major Federal program. However, the program expenditures exceeded \$100,000 in Federal support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims and whether the SFA's expenditures of food service were limited to allowable direct and indirect costs. No exceptions were noted.

During the 2015-16 year, the Charter School participated in the Community Eligibility Program (CEP), which allowed the School to offer breakfast and lunch free of charge to on-roll students. Although all children in a CEP school are eligible for receipt of a free meal, the CEP school is still required to maintain equivalent meal count records as those schools that are not participating in CEP.

The financial transactions and statistical records of the School Food Service Fund were maintained in satisfactory condition. The financial accounts and meal count records were reviewed on a test-check basis.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process, the edit check worksheet was completed. Reimbursement vouchers appeared to be filed in a timely manner. In addition, no exception were noted for the following:

The daily meal count records number of meals served was compared to the enrollment for reasonableness.

The daily meal count records number of students served meals was compared to the enrollment times the school's attendance factor for reasonableness.

Cash receipts and bank records were reviewed for timely deposit. No exceptions were noted.

Expenditures were recorded as food costs. Vendor invoices were reviewed and costs verified. Single inventory records are maintained by Camden Promise Charter School, as part of the vended meal service agreement with the District.

The cash disbursements records reflected expenditures for program related goods and services. The District is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34 and 19-1 through 19-4.I. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service and the Non-Program Food Revenue tool was utilized. Net cash resources did not exceed three months average expenditures.

Food Distribution Program commodities allocated to the Charter School was received and a single inventory was maintained by the food service management company on a first in, first out basis. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G of the CAFR.

Student Body Activities

The Board has a policy, which clearly established the regulation of student activity funds.

The Charter School established and maintained receipt and disbursement journals during the 2015-16 School Year.

All receipts appeared to be deposited promptly into the bank account.

A monthly report of student activity funds is being submitted to the Board.

Vouchers and supporting invoices were maintained for the student activity fund purchases. All disbursements appeared to be supported by appropriate documentation.

Enrollment Counts and Submission to the Department

Our audit procedures included a test of information reported on October 15 and the last day of school for on-roll, special education, LEP and low income. The details of our test results are included in this report in the *Schedule of Audited Enrollments*. We also performed a review of the School's procedures related to its completion.

Internal controls as they relate to the collection and submission of enrollment counts were documented and deemed sufficient.

Facilities and Capital Assets

The Charter School had no capital assets, as of June 30, 2016.

Unemployment Trust Fund

The Charter School maintains an Unemployment Trust Fund based on the reimbursement method.

Follow-up on Prior Years' Findings

In accordance with Government Auditing Standards, which are applicable to NJ Charter Schools, our procedures will include a review of all prior year audit recommendations and corrective action has been taken on all prior year audit findings.

Acknowledgment

We received the complete cooperation of all the officials of the charter school, and we greatly appreciate the courtesies extended to us.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant No. 915

SCHEDULE OF AUDITED ENROLLMENTS

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2015**

Grades	TOTAL			50% Verification required 10/15/15	Verified Signed Registration Forms	Verified # days Enrolled	Special Ed and/or Bilingual	Verified Documen- tation	Verified # days Service Provided	Low Income	Verified Documen- tation			
	Submission to DOE Reported on Roll	Reported on Workpapers	Errors											
Kindergarten	64	64		32	32	32	1	1	0	1	0	32	32	0
One	64	64		32	32	32	0	0	0	0	0	31	31	0
Two	64	64		32	32	32	1	1	0	1	0	31	31	0
Three	65	65		33	33	33	1	1	0	1	0	32	32	0
Four	65	65		33	33	33	3	3	0	3	0	33	33	0
Five														
Six														
Seven														
Eight														
Nine														
Ten														
Eleven														
Twelve														
Total	322	322		162	162	162	6	6		6		159	159	
Percentage						<u>0.00%</u>		<u>0.00%</u>		<u>0.00%</u>		<u>0.00%</u>		<u>0.00%</u>

SCHEDULE OF AUDITED ENROLLMENTS

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF THE LAST DAY - JUNE 10, 2016**

Grades	TOTAL		Errors	50% Verification required 6/30/16	Verified Signed Registration Forms	Errors	Verified # days Enrolled	Errors	Special Ed and/or Bilingual	Verified Document- ation	Errors	Verified # days Service Provided	Errors	Low Income	Verified Document- ation	Errors
	Submission to DOE Reported on Roll	Reported on Workpapers														
Kindergarten	63	63		34	34	0	34	0	0	0	0	0	0	27	27	0
One	62	62		30	30	0	30	0	1	1	0	1	0	28	28	0
Two	64	64		32	32	0	32	0	1	1	0	1	0	30	30	0
Three	64	64		32	32	0	32	0	3	3	0	3	0	27	27	0
Four	64	64		32	32	0	32	0	1	1	0	1	0	31	31	0
Five																
Six																
Seven																
Eight																
Nine																
Ten																
Eleven																
Twelve																
Total	317	317		160	160	0	160	0	6	6	0	6	0	143	143	0
Percentage						<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.
EXCESS SURPLUS CALCULATION

SECTION 1

A. 2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures per the CAFR	\$	<u>5,390,294</u>	(B)
Increased by:			
Transfer from Capital Outlay to Capital Projects Fund		<u> </u>	(B1a)
Transfer from Capital Reserve to Capital Projects Fund		<u> </u>	(B1b)
Transfer from General Fund to SRF for PreK-Regular		<u> </u>	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion		<u> </u>	(B1d)
Decreased by:			
On-Behalf TPAF Pension & Social Security		<u>412,348</u>	(B2a)
Assets Acquired Under Capital Leases		<u> </u>	(B2b)
 Adjusted 15-16 General Fund Expenditures [(B)+(B1s)-(B2s)]		 <u>4,977,946</u>	 (B3)
 2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]		 <u>99,559</u>	 (B4)
Enter Greater of (B4) or \$250,000		<u>250,000</u>	(B5)
Increased by: Allowable Adjustment*		<u> </u>	(K)
 Maximum Unassigned/Undesignated-Unreserved Fund Balance[(B5)+(K)]			 \$ <u>250,000</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-16 (Per CAFR Budgetary Comparison Schedule C-1)	\$	<u>86,171</u>	(C)	
Decreased by:				
Year-end Encumbrances		<u>49,686</u>	(C1)	
Legally Restricted - Designated for Subsequent Year's Expenditures		<u> </u>	(C2)	Capital
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**		<u> </u>	(C3)	Surplus
Other Restricted Fund Balances****		<u>36,485</u>	(C4)	
Assigned Fund balance Unreserved - Designated for Subsequent Year's Expenditures		<u> </u>	(C5)	Other
 Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]				 \$ <u> </u> (U1)

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.
EXCESS SURPLUS CALCULATION

SECTION 3

Restricted Fund Balance- Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0- \$ - (E)

Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures** - (C3)

Reserved Excess Surplus ***[(E)] - (E)

Total Excess Surplus [(C3) + (E)] \$ - (D)

Footnotes:

- * Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for:
 - (H) Federal Impact Aid. The passage of P.L. 2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2016 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve-General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);
 - (I) Sale & Lease-Back (Refer to the Audit Program Section II, Chapter 10);
 - (J1) Extraordinary Aid;
 - (J2) Additional Nonpublic School Transportation Aid;
 - (J3) Recognized current year School Bus Advertising Revenue; and
 - (J4) Family Crisis Transportation Aid.

Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$	<u> </u>	(H)
Sale & Lease-Back		<u> </u>	(I)
Extraordinary Aid		<u> </u>	(J1)
Additional Nonpublic School Transportation Aid		<u> </u>	(J2)
Current Year School Bus Advertising Revenue Recognized		<u> </u>	(J3)
Family Crisis Transportation Aid		<u> </u>	(J4)
Total Adjustments [(H) + (I) + (J1) + (J2) + (J3) + (J4)]	\$	<u> -</u>	(K)

- ** This amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.
- *** Amounts must agree to the June 30, 2016 CAFR and must agree to Audit Summary Worksheet Line 90030.
- **** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance and Regulatory Compliance prior to September 30.

Detail of Other Restricted Fund Balance

Statutory restrictions:			
Approved unspent separate proposal	\$	<u> </u>	
Sale/lease-back reserve		<u> </u>	
Capital reserve		<u> </u>	
Maintenance reserve		<u> </u>	
Emergency Reserve		<u> </u>	
Tuition reserve		<u> </u>	
School Bus Advertising 50% Fuel Offset Reserve - Current Year		<u> </u>	
School Bus Advertising 50% Fuel Offset Reserve - Prior Year		<u> </u>	
Impact Aid General Fund Reserve (Sections 8007 and 8008)		<u> </u>	
Impact Aid General Fund Reserve (Sections 8002 and 8003)		<u> </u>	
Other state/government mandated reserve		<u> </u>	
[Other Restricted Fund Balance not noted above] **** Escrow Fund		<u> 36,485</u>	
Total Other Restricted Fund Balance	\$	<u> 36,485</u>	(C4)